Choice Communications, LLC
("Choice")

Presentation To

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Background

- Founded in 1996, Choice has invested more than $30 million to construct and develop a digital wireless broadband network in the U.S. Virgin Islands (“VI”).

- Has fully digitized its network and implemented aggressive compression ratios to increase channel capacity and data throughput.

- Is the only commercial entity using BRS/EBS spectrum in the VI.

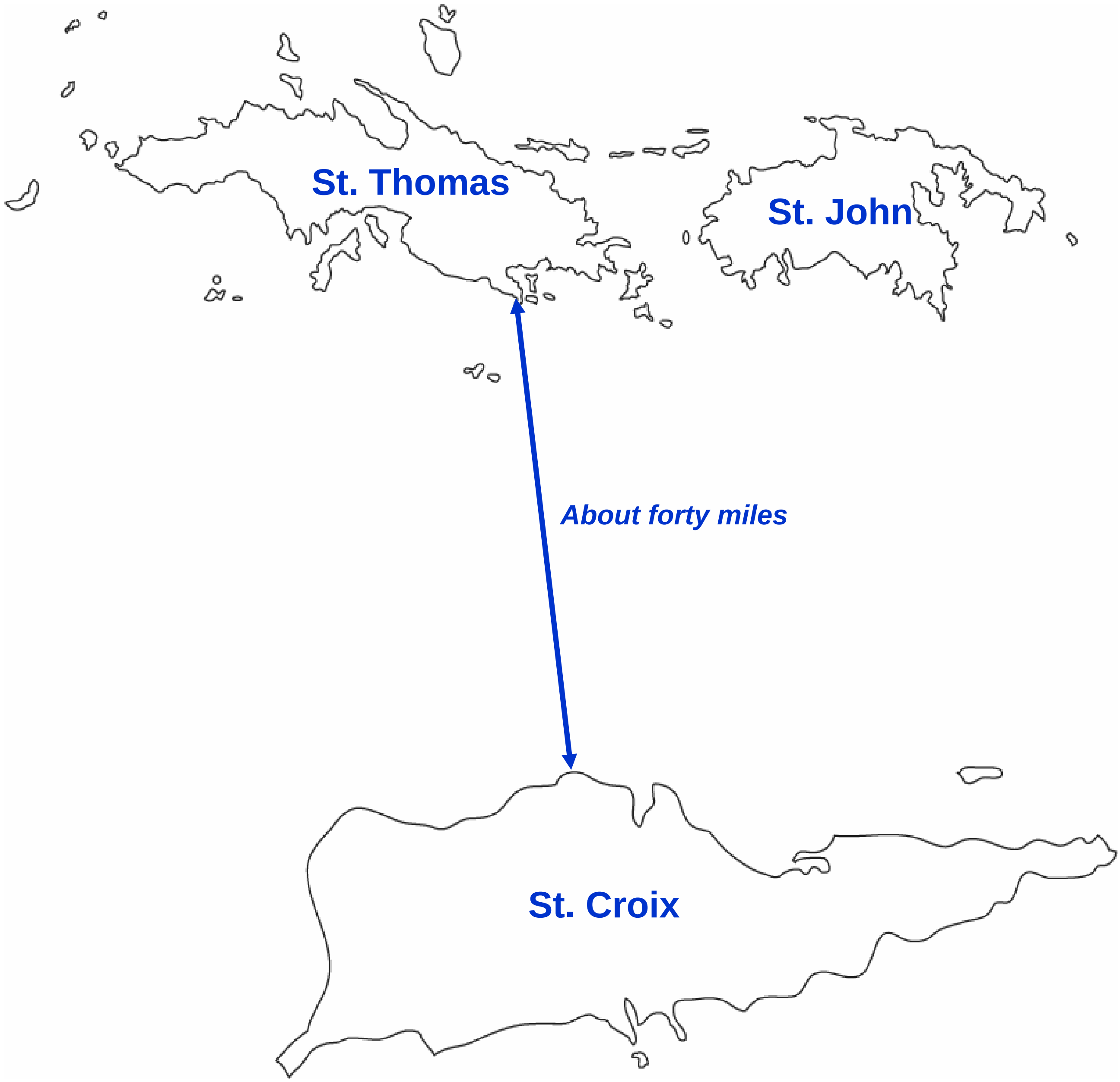
- Via the BRS frequencies, Choice offers:
  - Wireless digital multichannel video service.
  - Digital audio service.
  - High-speed wireless Internet access:
    - Wireless digital subscriber line (wDSL) service.
    - WiMax service.

U.S. Virgin Islands

U.S. Virgin Islands

The U.S. territories (St. Thomas, St. Croix and St. John) and the British Virgin Islands (to the north and east) are in the Lesser Antilles 1,600 miles south, southeast of New York City; 1,100 miles east, southeast of Miami; 70 miles east of San Juan.

U.S. Virgin Islands – Major Islands



Background

- **Customer growth continues in both television and data services:**
  - Choice video subscribers increased 40 percent a year over last two years.
    - Currently at about 5,000 subscribers.
    - Almost 8,000 set-top boxes (STBs) deployed.
  - Broadband Internet access service, wDSL, has grown over 135% so far in 2005.
    - 750 Hybrid wireless modems and antennas deployed.
    - 100 NextNet wireless units deployed – WiMax.
- **Large inventory of existing customer premises equipment (CPE):**
  - 5,000 STBs ready for television and audio.
  - 800 Hybrid wireless modems ready for wDSL service.
  - 150 NextNet devices ready for WiMax.
- **Extensive MMDS/MDS network deployed on the major U.S. Virgin Islands:**
  - Large television head end installation with 12 TV signal repeaters on St. Thomas.
  - Transmitter with an additional TV signal repeater on St. Croix.
  - Seven data transmitters on St. Thomas.
  - Three data transmitters on St. Croix.

VI Market

- **One monopoly telephone company – Innovative:**
  - Provides copper based DSL.
  - Receives substantial tax relief in the VI although it is guaranteed a rate of return.
  - Receives universal service funds.

- **One CATV provider – Innovative:**
  - Analog/digital system currently being upgraded to digital.
  - Does not provide cable modem technology.
  - Low service indices, long installation intervals, and long repair durations.
  - Only provider allowed to receive substantial programming cost reductions via CATV Programming Coop.
  - Satellite (e.g. Dish and DirecTV) have problems due to low look angles in the Lesser Antilles.

- **ICC, Innovative's parent company, also owns and operates primary local newspaper and local video programming in the VI.**

Transition Costs Would Require A Five-Fold Increase In Choice's Annual Capital Expenditures

- Total cost:
  - Television $ 8.30 M
  - Data $ 1.03 M
  - Total **$ 9.33 M**

- Capital expenditures for Choice in 2004 were $1.8 M.

- The anticipated capital expenditures in 2005 will be about $1.9 M.

- Transition costs would represent the equivalent of five years of capital expenditures.

- Required capital costs for transition would have severe adverse effect on Choice.

Transition Impacts - Television

- **Assumptions:**
  - New frequency STBs can be purchased.
  - New frequency transmitters can be purchased.
  - Receive temporary use of spectrum to allow rolling transition from existing spectrum design to new spectrum design.
  - Customers do not leave due to transition service issues.

- **Cost estimates based on some basic assumptions:**

Swap 10,000 customer STBs	$ 5.3 M
Replace 5,000 inventory STBs	$ 2.4 M
New transmitters	<u>$ 0.6 M</u>
Total estimated price tag	**$ 8.3 M**

Transition Impacts - Data

- **Assumptions:**
  - New frequency CPE can be purchased.
  - Receive temporary use of spectrum to allow rolling transition from existing spectrum design to new spectrum design.
  - Customers do not leave due to transition service issues.

- **Cost estimates based on some basic assumptions:**
  - Replace 2,100 customer units $ 0.85 M
  - Head end hardware $ 0.18 M
  - Total estimated price tag **$ 1.03 M**

FCC Can Facilitate And Accelerate BRS/EBS Deployment Through An MVPD Opt-Out

- FCC should allow MVPD providers that currently use more than seven BRS/EBS channels to provide digital programming to opt out of the new band plan. (reconsideration proceeding)

- Without MVPD opt-out, VI consumers and Choice will be severely impacted.

- Choice is licensed to use 17 BRS/EBS channels and leases additional EBS spectrum. In reliance upon FCC rules, Choice has invested millions to build a digital wireless broadband network and fully uses of its licensed and leased BRS/EBS spectrum. Choice would be unable to offer same amount of programming, or launch new services, using only 7 mid-band segment channels (6 MHz-wide) under the new band plan.

- A forced transition would require Choice to reduce number of program channels and would impair Choice's position as the only viable broadband competitor to telephone/cable TV provider in the VI.

FCC Can Facilitate And Accelerate BRS/EBS Deployment Through An MVPD Opt-Out (Cont'd)

- Choice should not be penalized for making full and efficient use of its licensed and leased BRS/EBS spectrum.

- MVPD opt-out for remote/insular areas such as the VI would not impede development of wireless broadband services in neighboring markets, since the possibility of interference to neighboring markets is non-existent.

- Requiring MVPD providers to seek case-by-case waiver is administratively burdensome and creates regulatory and financial uncertainty.

FCC Can Facilitate And Accelerate BRS/EBS Deployment Through An MVPD Opt-Out (Cont'd)

- For opt-out markets, FCC should allow BRS Channel 1 and 2/2A incumbents the option of either relocating to 2496-2500/2686-2690 MHz at new entrants' expense or obtaining bidding credits to acquire comparable licenses at auction.

- Opt-out BRS Channel 1 and 2/2A incumbents choosing to relocate will face reduction in spectrum by 2 to 4 MHz.

How FCC Can Preserve and Promote BRS/EBS Competition If Transition Is Required

- To provide regulatory certainty, FCC promptly should adopt a comprehensive plan for relocating/reimbursing displaced BRS Channel 1 and 2/2A incumbents. (reconsideration proceeding)
- Allow transitioning to the new band plan on a BTA, rather than MEA, basis. (reconsideration proceeding)
- Allow BRS/EBS licensees to swap channels with each other without regard to EBS eligibility restrictions. (reconsideration proceeding)
- Allow BRS/EBS incumbents to self-transition if no party files an initiation plan. (FNPRM comments)

Transition On BTA Basis

- Transitioning on an MEA basis is not suitable for remote/insular areas such as the VI.
- San Juan, Puerto Rico, is 70 miles away, but is part of the same MEA. Choice should not be forced to submit to transition plan initiated by BRS/EBS licensee/lessee in Puerto Rico, particularly when Choice's operations have no impact on BRS/EBS operations in Puerto Rico.
- Requiring licensees in geographically disparate markets to cooperate in same transition plan unnecessarily will delay transition process.

Summary

1. **Allow digital MVPD providers to opt out of the new band plan.**

2. **Allow BRS Channel 1 and 2/2A incumbents in opt-out markets the option of either relocating at new entrants' expense or obtaining auction bidding credits.**

3. **If FCC requires a transition to the new band plan:**

    a. A comprehensive plan for relocating/reimbursing displaced BRS Channel 1 and 2/2A incumbents should be adopted promptly.

    b. Transitioning on a BTA basis should be allowed.

    c. BRS/EBS licensees should be permitted to swap channels without regard to EBS eligibility restrictions.

    d. BRS/EBS incumbents should be permitted to self-transition if no party files an initiation plan.